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"Acquisition Reform: From Vision to Implementation"

**Opening Comments
of
The Under Secretary of Defense for Acquisition and Technology
Dr. Paul G. Kaminski
to the
AIAA Conference
Grand Hyatt Hotel, Washington, DC**

September 11, 1996

Good morning. I join Pete Aldridge and Pete DeMayo in welcoming you to the 1996 edition of the AIAA acquisition reform conference. Last year's conference was a resounding success – we are looking to work together to better that mark during the next two days.

CONFERENCE OVERVIEW

Abigail Adams once observed that "We have too many high-sounding words and too few actions to correspond with them." I believe this has too long been the case with acquisition reform. It's easy to talk about why, harder to talk about how, and even harder to do. Our focus in this conference is on the later – what is being done. And so we have selected "Acquisition Reform: From Vision to Implementation" as the theme for this year's conference.

Over these two days, we will be looking at implementation of our acquisition reform program from several different perspectives.

Industry CEOs

In just a few minutes, we will move to the first of two industry CEO roundtable discussions that I will moderate. I'll be asking both panels for their candid views on what's working, what's not working, and what needs to be fixed. Some of the topics we'll address are:

- revolution in the acquisition process,
- measurement of success,
- past performance and best value contracting,
- single process initiative,
- commercial practices,
- subcontractor reform,

- outsourcing/ privatization,
- and industry consolidation.

The morning panel is geared towards laying out the perspective of industry CEOs responsible for delivering systems and products. It's my sense that most of our acquisition reforms to date have primarily dealt with our practices for buying equipment and major systems from our large hardware-oriented suppliers.

To some extent, we've had an impact with improving our purchases of products from small businesses as well. I am very proud of the fact that the Department has made tremendous strides in reforming the acquisition process without losing our focus on the Department's small and small disadvantaged business objectives.

I am pleased to report that we exceeded our goals in fiscal 1995 and the fiscal 1996 information through June indicates that, at prime contract level, we will maintain that momentum; subcontracting is down slightly but we are hopeful that our industry partners will have improved their support by year end.

Let me be perfectly clear. As we go forward with our program of acquisition reform, the Department remains committed to the continued participation of small firms, and in particular small disadvantaged businesses, in our acquisition programs as both prime and subcontractors. We have two small businesses represented on the next panel and I look forward hearing the small business perspective on the impact of our acquisition reforms.

With the early afternoon panel, we intend to explore some of the issues that are of unique concern to the services industry. I believe our program of acquisition reform has barely "scratched the surface" with regard to the way the Department purchases services. Much of the problem may be training- and education-related within our service contracting workforce. Regardless of the cause, this is a big deal – the Department spends about \$40 billion per year on service contracts. And I expect this to grow as the Department continues to outsource and privatize non-core functions.

Service/Component Acquisition Executives

In the late afternoon panel, you will hear the thoughts and views of the three Service Acquisition Executives – Gil Decker, John Douglass, and Art Money – as well as those of the new BMDO Director, LtGen Les Lyles, and the USSOCOM Component Acquisition Executive, Mr. Gary Smith. This panel session will give you an opportunity to observe the commitment of the Department's senior acquisition leadership team to realizing common goals and implementing real reforms.

DCAA & IG Perspective

Tomorrow morning, you will receive the audit community perspective on acquisition reform. Our reforms must be aimed at increasing the opportunities for program success. Acquisition staffs and auditors must share common goals: working together up front and early to build affordable, executable strategies and plans as well as to identify and resolve issues in a timely manner.

Logistics Reengineering and Reform

Mr. John Phillips, the Deputy Under Secretary for Logistics, will then follow up with the first of two sessions on current acquisition reform initiatives—John will address the Department's plans to turn up the heat on logistics re-engineering. As much payoff as there is in the reform of the acquisition process, there is considerably more untapped potential in the reform of our logistics and support system. Reform here is one of the keys to freeing up the dollars for front end investment in force modernization.

Single Process Initiative

MajGen Bob Drewes, the Commander of the Defense Contract Management Command, will lead a panel on the use of government and contractor teams to implement the Department's Single Process Initiative. Prior to implementation of this initiative, many of our contractors had duplicative processes in their facilities—one manufacturing or business management process for its commercial customers and perhaps several different ones imposed by various DoD programs.

The single process initiative deals with this problem by reducing the number of different processes and relying on proven commercial processes as much as possible. Our objectives are: one, to save money; two, to obtain a better product; and three, to foster a more competitive industry.

In the first nine months since we launched this effort on December 8, 1995, we have received 295 concept papers from 91 contractors proposing to modify 364 processes. Thirty-three contractors have modified 90 processes. Our ACOs have signed block change modifications with Texas Instruments, Raytheon, Northrop Grumman; Allied Signal Engines; ITT Avionics; and Lockheed Martin Federal Systems—to name a few. A single block change modification impacting 884 contracts at 16 separate Raytheon facilities, was signed on April 17, 1996. This effort is now taking root within a wide spectrum of our supplier base.

Streamlining and Reform on Major Programs

And finally, two panels — one composed of program managers and the other made up of program executive officers — will meet tomorrow afternoon to discuss streamlining and reform initiatives as practiced on our major weapon system acquisition programs. We will have the opportunity to hear both groups discuss how they think we are doing with respect to acquisition reform implementation.

They will share their views on the effort made to streamline and simplify acquisition oversight procedures over the past year. Historically, the Department's oversight processes have been very burdensome, with the result that many of our program managers have spent more time dealing with the administrative hassles of the oversight process than actually managing their programs.

Our new Overarching and Working-level Integrated Product Team oversight process was designed to successfully team Service and OSD acquisition staffs with PM and PEO staffs to increase the opportunities for program success through early insight — rather than after-the-fact oversight.

Yes, this insight approach is still relatively new, but we are starting to see results. For example, we have dramatically reduced the time from the day of the Defense Acquisition Board meeting to the signing of the Acquisition Decision Memorandum, which averaged about 23 days in 1994, to about two days since we implemented our new oversight process in early 1995.

Also, because our early-and-continuous insight process is helping resolve major issues, I have been able to cancel numerous formal Defense Acquisition Board meetings. Since there were no issues, there was no need for a formal meeting. Last year, 26 DAB meetings were scheduled to occur but I only had to convene eight of them.

It will be informative to get the perspectives of our "front-line" program managers and program executive officers — the view from the trenches — on the success of the OIPT-WIPT initiative.

ACQUISITION REFORM DAY

On May 31 — a little over three months ago, the Department of Defense held an Acquisition Reform Day. I felt a "stand-down" was necessary because of the sheer difficulty we were encountering in communicating the broad and diverse array of reforms under way to such a broad, diverse, and busy workforce.

This was not a bad news story. It was a good news story. We had enough reforms under our belts that it was time to share our many successes and accomplishments with the entire DOD acquisition community.

Perhaps the most successful aspect of the day was the effort made to promote horizontal communications among peers for sharing lessons learned, best practices, and initiatives under way. Many people did not realize the progress made by their peers. Based upon all the feedback received thus far, it was a very successful day and an important milestone in our efforts to extend a cultural change across the entire acquisition community.

THE END OF THE BEGINNING

We are now at a point in our acquisition reform program that is not too much different than the situation faced by Winston Churchill during World War II when the US entered the war. He observed that "This is not the end, or even the beginning of the end, but it is, I believe, the end of the beginning." When you think about it, this is exactly where we are in our program of acquisition reform.

The Department has begun to make substantial progress in improving the way it procures equipment and services. Our success is real and visible. The evidence is still mostly anecdotal – but we are seeing substantial improvement and savings on major programs like the Joint Direct Attack Munition, the C-17 and the SMART-T, and on thousands of small purchases of items like T-shirts and socks.

Many programs are experiencing cost avoidances and savings in the \$100s of millions – a few in the billions of dollars. We are stripping away the onerous non-value added documentation and procedures and now have a foundation in place to move to 21st century business practices.

SUMMARY

The late David Packard once said, "Defense acquisition is the largest and the most important business enterprise in the world. It deserves to be managed with the highest standards."

A great benefit from a conference like this one is our interaction together. I hope that our discussions during the morning and afternoon CEO panels, and the other talks and discussions scheduled for the remainder of this two-day conference, will stimulate questions and comments from the floor.

This type of dialogue is very important to all of us to better understand your concerns or issues that need further attention. I encourage you to get involved now,

and throughout the conference, so that we can together chart the best course ahead and take action.

In the words of Abigail Adams, it's actions — not high-sounding words — that will count.